



## **Monitoring and evaluating Net Insight's variable remuneration program**

### *Background and purpose of Net Insight's variable remuneration program*

The Board of Directors considers that effective remuneration structures, compensation levels and incentive programs are critical for recruiting, motivating and retaining qualified employees, which is in turn a pre-requisite for Net Insight achieving its business targets.

The Board also considers that a compensation model that includes fixed and variable components is beneficial and justified. This model provides a basis for discussion relating to targets and performance, and also means that actual salary payments shadow the company's financial performance.

The Remuneration Committee monitors and evaluates the company's variable salary programs annually, both ongoing programs and those terminated in the year. The Committee also follows up and evaluates the structure and scope of existing remuneration programs, and the application of guidelines authorized by the AGM relating to salary and other remuneration to the CEO and management.

### *Variable salary to senior executives*

Variable salary paid in the previous year is monitored and evaluated in February each year. For the CEO, the Remuneration Committee follows up and evaluates whether business targets have been met, and its conclusion is then subject to authorization by the Board. For other members of management, the CEO follows up performance and reports to the Remuneration Committee, which has final decision-making power. Targets are quantitative and qualitative and are based on factors relating to the Company's long-term strategy. Examples of targets in 2019 include revenue, profit and activity-based objectives.

### *Long-term variable remuneration to the CEO and certain senior executives*

The Remuneration Committee evaluates the progress of the program for long-term variable remuneration on an ongoing basis during the year.

### *Variable salary to other employees*

In order to recruit, motivate and retain qualified employees, a large proportion of the company's employees are given the opportunity to participate in the company's success through means including receiving an additional 1–3 months' salary payable as bonuses. The outcome is based on meeting specified objectives. Targets are both quantitative and qualitative, and are based on factors relating to the Company's long-term strategy. Examples of targets in 2019 include revenue, profit and activity-based objectives. Management monitors and evaluates whether business targets have been met.

### *Synthetic options for employees in Sweden and global option program for employees in the Net Insight group outside Sweden*

The AGM 2018 (in line with the AGMs 2015, 2016 and 2017) decided to introduce a synthetic options program for management and select employees, where participants acquired synthetic options and market price. A synthetic option gives the holder the right to payment from Net Insight of a cash amount calculated on the basis of Net Insight's share price performance. Such an amount is subject to a maximum of three times the relevant share price at the time of implementation (CAP). The term of the options is three years and they are freely transferrable, but are subject to pre-emption rights for Net Insight to acquire the options.

### *Guidelines for salary and other remuneration*

The remuneration Committee evaluates the guidelines for salary and other remuneration to the CEO and management continuously during the year. The Committee obtains decision-making data for the evaluation process from the CEO, HR-director and external advisors. Compliance with the guidelines is also reviewed annually by the company's auditors. The internal and external decision-making data ensures that the company's remuneration is on market terms and remains competitive. In order to determine what constitutes total remuneration at market level, and to evaluate current remuneration trends, annual comparisons are also made with relevant sectors and markets. The results of these reviews provide an important variable for decisions regarding total remuneration payable to senior executives and other employees.

### *Evaluation*

In 2018, the Remuneration Committee carried out an extensive evaluation of Net Insight's synthetic options program for employees in Sweden, a global options program for employees outside of Sweden, and long-term variable remuneration for the CEO and specified senior executives. The evaluation was based on three factors: the program's effect on corporate governance, the effect on shareholder value, and the effect on employee motivation. The results of the evaluation indicate a significant effect on employee motivation from the synthetic options program, which is thereby of considerable importance for recruiting, motivating and retaining qualified staff, a pre-requisite for achieving Net Insight's business goals. The Board decided to propose to the AGM a warrant program. The proposed program is aimed at management and selected key members of staff.

On the basis of factors including the Remuneration Committee review, the Board considers that the proposal to the AGM 2020 represents a good balance between fixed salary, annual variable salary, long-term share-based salary, pension terms and other remuneration and benefits.